

**STATE OF TENNESSEE
DEPARTMENT OF FINANCIAL INSTITUTIONS**

In the matter of:)
)
AEGIS MORTGAGE)
CORPORATION,)
)
AEGIS WHOLESALE)
CORPORATION, and,)
)
AEGIS FUNDING)
CORPORATION,)
)
Respondents.)

EMERGENCY CEASE AND DESIST ORDER

The Commissioner of the Tennessee Department of Financial Institutions (the "Commissioner"), having determined that he has reason to believe that Aegis Mortgage Corporation, Aegis Wholesale Corporation, and Aegis Funding Corporation (hereinafter referred to collectively as the "Respondents"), have violated and are violating the Tennessee Residential Lending, Brokerage and Servicing Act of 1988, Tenn. Code Ann. §§ 45-13-101, *et seq.* (the "Act"), and that extraordinary circumstances warrant immediate action, hereby issues the following EMERGENCY CEASE AND DESIST ORDER pursuant to Tenn. Code Ann. §§ 45-1-107(a)(4) and (c), and Tenn. Code Ann. § 45-13-116.

JURISDICTION AND IDENTIFICATION OF THE PARTIES

1. Pursuant to Tenn. Code Ann. § 45-1-104, the Tennessee Department of Financial Institutions (the "Department") is charged with the execution of all laws

relative to persons doing or engaged in a banking or other business as provided in Title 45 of the Tennessee Code.

2. Tenn. Code Ann. § 45-1-107(a)(4) provides that, in addition to other powers conferred by Title 45 of the Tennessee Code, the Commissioner has the power to order any person to cease violating a provision of Title 45 of the Tennessee Code or lawful regulation issued thereunder, and Tenn. Code Ann. § 45-13-116 provides that if, after notice and opportunity for a hearing, the Commissioner finds that a person has violated the Act or administrative rule issued pursuant to the Act, the Commissioner may take any or all of certain actions, one of which is to order the person to cease and desist violating the Act or any administrative rule issued pursuant to the Act.

3. Pursuant to Tenn. Code Ann. §§ 45-1-107(c), notice and opportunity for a hearing shall be provided in advance of the Commissioner issuing such an order, except that in cases involving extraordinary circumstances requiring immediate action, the Commissioner may take such action but shall promptly afford a subsequent hearing upon application to rescind the action taken.

4. Aegis Mortgage Corporation (“AMC”) is a Delaware for-profit corporation that is authorized to do business in Tennessee, whose principal office is located at 3250 Briarpark Drive, 4th Floor, Houston, TX 77042-4204, and whose registered agent in Tennessee is CT Corporation System located at 800 S. Gay Street, Suite 2021, Knoxville, TN 37929-9710. AMC is currently registered with the Department as a mortgage lender and a mortgage loan servicer under the Act, having been issued certificate of registration number 1185.

5. Aegis Wholesale Corporation ("AWC") is a Delaware for-profit corporation, that is authorized to do business in Tennessee, whose principal office is located at 3250 Briarpark Drive, 4th Floor, Houston, TX 77042-4204, and whose registered agent in Tennessee is CT Corporation System located at 800 S. Gay Street, Suite 2021, Knoxville, TN 37929-9710. AWC is currently registered with the Department as a mortgage lender under the Act, having been issued certificate of registration number 2149.

6. Aegis Funding Corporation ("AFC") is a Delaware for-profit corporation that is authorized to do business in Tennessee, whose principal office is located at 3250 Briarpark Drive, Suite 400, Houston, TX 77042-4204, and whose registered agent in Tennessee is CT Corporation System located at 800 S. Gay Street, Suite 2021, Knoxville, TN 37929-9710. AFC is currently licensed with the Department as a mortgage lender under the Act, having been issued certificate of registration number 2151.

7. On information and belief, the Respondents are all affiliated through common ownership and/or common officers and/or directors, and AWC and AFC are wholly owned lending subsidiaries of AMC.

FACTUAL ALLEGATIONS

8. The factual allegations contained herein are based upon information that the Department has learned and gathered through media reports, communications with other State regulatory authorities, communications with at least one of the Respondents, examination of some of the records of at least one of the Respondents, and other sources.

9. On Tuesday, August 7, 2007, counsel for AMC informed the Department by way of email that AMC [and/or its subsidiaries] had become unable to sell or finance residential mortgage loans, that it had stopped accepting loan applications from mortgage

brokers, and that, on August 6, 2007, it informed its mortgage brokers of its situation and urged them to seek to place the loans with other lenders. Also, by that email, the Department was informed that the Respondents had committed to fund, but could not and would not fund, approximately four hundred (400) mortgage loans nationwide for which closings had already taken place.

10. Also, on August 7, 2007, the Department was informed that AMC had distributed an email through its mortgage broker network which stated in part that, "Aegis Mortgage Corporation has stopped funding loans and accepting applications as of today August 6, 2007. Any branches that have any loans submitted to this lender should place your loans with another lender as they will not be funded."

11. In addition, on August 7, 2007, representatives of the Department participated in a telephone conference call ("Conference Call") with representatives of other State regulatory authorities and with officers of and counsel for AMC in order to discuss concerns regarding the Respondents' financial condition and their apparent inability to fund mortgage loans.

12. During the Conference Call, AMC represented that Respondents stopped taking loan applications and making loans on or about August 1, 2007, and that, on August 6, 2007, AMC had asked its brokers to take their loan pipeline elsewhere.

13. Also, during the Conference Call, AMC estimated that AWC, its wholesale lender, had failed to disburse loan proceeds in, or otherwise fund, two (2) mortgage loan transactions involving residential property in Tennessee for which a closing had already taken place.

14. On or about August 9, 2007, at least one (1) of the Respondents provided the Department with a spreadsheet report ("Report") that appears to detail loan applications and/or commitments nationwide currently in their pipeline, including for loans for which closing documents were sent to the title company for the borrower(s) to sign.

15. The Report reveals one (1) mortgage loan secured by realty situated in Tennessee, identified as loan number 3001196853, which was closed on August 1, 2007, and which had an expected fund date of August 6, 2007. Upon information and belief, the Respondent that committed to fund loan number 3001196853 failed to fund said loan on August 6, 2007, and has not provided funding as of the date of this Order, and the borrower's mortgage broker was forced to look for another lender.

16. Also, upon information and belief, none of the Respondents has the ability, at present or in the foreseeable future, to fund any other loans that may be in their pipelines, or any future loans for which they may take application for.

CAUSES OF ACTION

17. Pursuant to Tenn. Code Ann. § 45-13-108(a)(2), conduct of a manner which would warrant the denial of an application for a license or registration is a violation of the Act, which conduct is outlined at Tenn. Code Ann. § 45-13-105(a), providing, among other things that, in order for an applicant to qualify for a license or registration under the Act, the Commissioner must find that the applicant has the financial responsibility to warrant the belief that the business of the applicant will be operated lawfully and within the purposes of the Act. The factual allegations contained herein demonstrate that the Respondents do not possess the financial responsibility required by the Act.

18. In addition, Tenn. Code Ann. § 45-13-108(a)(9) provides that failure to disburse funds in accordance with a written agreement is grounds for revocation or suspension of any license or registration issued under the Act, and is also a violation of the Act. The failure of the applicable Respondent to fund the closed loan referenced in paragraph 15 above, is thus a violation of the Act.

19. Based on the allegations contained herein, the likelihood exists that Tennessee consumers dealing with the Respondents may suffer irreparable harm in that the Respondents do not have the current ability to fund any mortgage loans; therefore, these extraordinary circumstances require immediate action by the Department.

EMERGENCY ORDER

Having considered the factual allegations contained herein, the Commissioner has determined that the Respondents have violated and are violating the Act, and that extraordinary circumstances warrant immediate action.

IT IS HEREBY ORDERED that each of the Respondents shall immediately cease and desist from engaging in business as a mortgage lender or mortgage loan broker with respect to any Tennessee consumers and/or residential real property located in Tennessee, except as expressly provided herein, until such time as any of the Respondents is able to satisfactorily demonstrate to the Commissioner that it is able to engage in business lawfully and within the purposes of the Act.

IT IS HEREBY FURTHER ORDERED that each of the Respondents shall fully comply with all of the obligations to each individual who has a mortgage loan currently pending, approved, or closed but not funded, with any of the Respondents, including, but not limited to, making every reasonable effort, at no cost to any of such individuals, to

cause such loans to be placed with another authorized mortgage loan broker or authorized mortgage lender so that the transactions may be completed. The Respondents shall notify the Department of all such efforts and the resolution of each affected loan.

The provisions of this ORDER shall remain in full force and effect unless and until such time as any provision shall have been modified, terminated, suspended or set aside by the Commissioner, an administrative judge, or any court having jurisdiction over the matters addressed herein.

RIGHTS OF THE RESPONDENTS

The Respondents have the right to a hearing for the purpose of contesting and obtaining rescission of this ORDER. If a separate hearing is timely requested by the Respondents, any such hearing shall be conducted in accordance with the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101, *et seq.*, and Chapter 0180-6 of the Rules of the Department.

In order to request a hearing, the Respondents must file a written request within twenty (20) days from receipt of this ORDER. If no such written request is timely filed, then this EMERGENCY CEASE AND DESIST ORDER will be deemed final for all purposes. Any written request for a hearing must be filed with the Commissioner, Tennessee Department of Financial Institutions, Nashville City Center, 511 Union Street, 4th Floor, Nashville, TN 37219.

ISSUED this 10th day of August, 2007.


Greg Gonzales, Commissioner
Tenn. Dept. of Financial Institutions

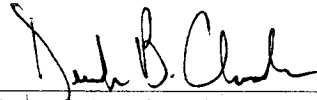
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing will be sent to the Respondents' registered agent at the following address *via* United States Postal Service certified mail, return receipt requested:

**CT Corporation System
800 S. Gay Street, Suite 2021
Knoxville, TN 37929-9710**

And, I hereby certify that a true and correct copy of the foregoing has been sent via facsimile to **Costas A. Avrakotos, Esq. and Laurence E. Platt, Esq., of Kirkpatrick & Lockhart Preston Gates Ellis, LLP, at 202-778-9100, and to Mike Balog, an officer of Aegis Mortgage Corporation, at 713-458-2790.**

This the 10th day of August, 2007.



Derek B. Church
Certifying Attorney